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No. 00-39

Supreme Court, U.S.
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IN THE
SUPREME COURT OF THE UNITED STATES

MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION,

Petitioner,

v.

CARDTOONS, L.C.,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

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BRIEF OF *AMICUS CURIAE* INTERNATIONAL LICENSING INDUSTRY MERCHANDISERS' ASSOCIATION, INC. IN SUPPORT OF PETITIONER MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION'S PETITION FOR WRIT OF CERTIORARI

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INTEREST OF AMICUS CURIAE[1]

The International Licensing Industry Merchandisers' Association, Inc. ("LIMA") is the trade association for the merchandising and licensing industry. Formed in 1985, LIMA's 900 plus members include most of the major licensors and licensees in the character, sports, entertainment, corporate and art licensing industry.

LIMA's licensor members are vigilant in enforcing their intellectual property rights against infringers and counterfeiters in a seemingly endless war against pirating. It is the custom and practice in the licensing industry that virtually all enforcement actions begin with the property owner or its attorney sending a cease-and-desist letter to the infringer or counterfeiter. The vast majority of these disputes are resolved following the issuance of a cease-and-desist letter and without resorting to the commencement of a formal proceeding.

LIMA's licensor members and their attorneys issue cease and desist letters under the belief that they are immune from

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1 All parties have consented to the filing of this *amicus curiae* brief. The undersigned counsel authored the entire brief; no portion of this brief was authored by counsel for any of the parties. LIMA is the only entity that has made a monetary contribution towards the preparation and filing of this brief.

liability for retaliatory tort claims for taking such action, so long as the allegations in the letters are objectively reasonable. Accordingly, LIMA has an interest in ensuring that its licensor members continue to enjoy immunity for their reasonable efforts to police and protect their intellectual property rights against infringers and counterfeiters.

SUMMARY OF THE ARGUMENT

The protection and enforcement of intellectual property rights is at the very heart of the licensing industry. LIMA's licensor members routinely seek out and pursue unlicensed uses of their intellectual property rights by infringers and counterfeiters. Owners of trademark rights, in particular, have an affirmative duty to enforce their rights against counterfeiters and infringers, or risk abandonment of those rights.

In virtually all actions against infringers and counterfeiters, the property owner or its attorney will transmit a cease-and-desist letter to place the infringer or counterfeiter on notice that its actions are in violation of the property owner's rights and to demand that it cease all infringing activity. In most instances, this letter and the dialog that follows is sufficient to resolve the dispute. For LIMA's licensor members, the cease and

desist letter is the desired means to pursue counterfeiters and infringers in the first instance because the alternative - filing a lawsuit - is significantly more expensive and time-consuming.

Attorneys for LIMA's licensor members have issued cease-and-desist letters to counterfeiters and infringers in reliance upon the fact that they are immune from liability for retaliatory state law tort actions based upon the *Noerr-Pennington* doctrine and the First Amendment so long as their actions were objectively reasonable. The purpose of this *amicus* brief is to advise the Court that should the Tenth Circuit's decision stand, it would have a detrimental effect on the practices of LIMA's licensor members to police and protect their property rights. If the transmittal of a cease and desist letter is not accorded the same degree of immunity as the filing of a lawsuit, attorneys for LIMA's licensor members would inevitably forego sending letters and instead adopt a "litigation first" strategy which would significantly inflate legal costs for LIMA's members and clog court calendars. As Judge Lucero recognized in his dissenting opinion, "the practical result of the majority's holding will be to force parties seeking to prevent the wrongful infringement of their intellectual property rights to ambush infringers with lawsuits or risk having to defend against retaliatory tort claims."

App. 17a. Such a result, which encourages litigation and discourages private efforts to resolve disputes, simply is against public policy and the interest of judicial economy.

ARGUMENT

THE TENTH CIRCUIT'S OPINION IGNORES THE REALITY OF THE LICENSING INDUSTRY AND IS CONTRARY TO SOUND PUBLIC POLICY BECAUSE IT WILL SERVE TO ENCOURAGE LITIGATION AND DISCOURAGE PRIVATE RESOLUTION OF DISPUTES

The protection and enforcement of intellectual property rights is at the very heart of the licensing industry. For decades, LIMA's licensor members have battled the problem of the unauthorized use of their properties by infringers and counterfeiters. This problem has risen to epidemic proportions in recent years with the widespread use of the Internet. For the licensing community, counterfeiting has been the growth industry of the last decade.

Owners of trademark rights, in particular, have an affirmative duty to enforce their rights against counterfeiters and infringers, or risk the loss of those rights by "abandonment." *See* Lanham Act § 45, 15 U.S.C.A. § 1127 (the definition of "abandonment" includes "when any course of conduct of the

registrant, including acts of omission . . . causes the mark to lose its significance as an indication of origin.") 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 17:17 (1999) ("if, through failure to prosecute, a mark continually loses 'strength' and 'distinctiveness,' it will eventually hemorrhage so much that it dies as a mark.") Hence, LIMA's licensor members routinely seek out and pursue unlicensed uses of their intellectual property rights by infringers and counterfeiters.

The first step in most actions against infringers and counterfeiters is the transmittal of a cease-and-desist letter by the property owner or its attorney. In most instances, this simple letter and the dialog that follows is sufficient to resolve the dispute, thereby obviating the need for expensive and protracted litigation.

For LIMA's licensor members, the cease-and-desist letter is the desired means to pursuing counterfeiters and infringers in the first instance because the alternative -- filing a lawsuit -- is significantly more expensive and time-consuming. Attorneys for LIMA's licensor members have issued cease-and-desist letters to counterfeiters and infringers in reliance upon the fact that they are immune from liability for retaliatory state law tort actions based

upon the *Noerr-Pennington* doctrine and the First Amendment, so long as their actions were objectively reasonable.

Should the Tenth Circuit's decision stand, it would have a detrimental effect on the practices of LIMA's licensor members to police and protect their property rights. The Tenth Circuit's decision places intellectual property owners and rights-holders in an untenable position. If a rights-holder faces tort liability for sending such a letter, it will have the following options: (1) forego enforcing its rights for fear of being embroiled in expensive litigation just for sending a cease and desist letter; (2) send the letter and face exposure to a lawsuit, with expensive and invasive discovery and the uncertainties of a jury determination of the property owner's "good faith;" or (3) forego the issuance of a cease and desist letter and simply file suit against the suspected infringer in the first instance. A prudent rights-holder cannot opt for the first choice, because he or she runs the risk of abandoning his or her trademark rights through inaction. Likewise, a prudent right-holder will not opt for the second choice, because even an allegation in a cease-and-desist letter that is based upon probable cause and is objectively reasonable will still expose the rights-holder to a retaliatory suit for state tort claims by the infringer. A prudent rights-holder will invariably

adopt a "litigation first" strategy, thereby immunizing the rights-holder from retaliatory state tort claims.

Placing rights-holders in the position of having to choose the safe harbor of commencing litigation without first sending a cease-and-desist letter will have significant practical consequences. Typically, a rights-holder will suspect and believe in good faith that its rights are being infringed, without the benefit of knowing all of the facts. A communication to the suspected infringer which places the infringer on notice that there is a possible dispute not only allows the parties to explore ways to resolve the matter without going to court, but it also enables the rights-holder informally to investigate the facts and better determine the strength of his or her potential claim against the infringer prior to filing suit. In certain cases, the rights-holder ultimately may be mistaken as to the infringer's activities, or the infringer may have defenses of which the rights-holder is not aware. For this reason, the property rights-holder's transmittal of a pre-litigation cease-and-desist letter will ensure that (1) meritless lawsuits are not filed; and (2) the party is not placed at risk of sanctions under Rule 11 of the Federal Rules of Civil Procedure for failing to conduct a proper pre-litigation investigation.

In sum, if the transmittal of a cease and desist letter is not accorded the same degree of immunity as the filing of a lawsuit, attorneys for LIMA's licensor members would inevitably forego sending letters and instead adopt a "litigation first" strategy which would significantly inflate legal costs and clog court calendars. As Judge Lucero recognized in his dissenting opinion, "the practical result of the majority's holding will be to force parties seeking to prevent the wrongful infringement of their intellectual property rights to ambush infringers with lawsuits or risk having to defend against retaliatory tort claims." App. 17a. The Tenth Circuit's decision, which encourages litigation and discourages private efforts to resolve disputes, will disrupt the custom and practice of the licensing industry and place an undue burden on property-rights holders. Hence, the decision is against public policy and is contrary to the interest of judicial economy, and should be reversed.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

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